Decision Package
Department of Social and Health Services

DP Code/Title: PL-HI Medicaid ID Card

Program Level - 080 Medical Assistance

Budget Period: 2003-05   Version: 11 2003-05 Agency Request Budget

Recommendation Summary Text:

The Medical Assistance Administration (MAA) is proposing to replace the paper Medical Assistance Identification (MAID) card with a permanent plastic magnetically encoded identification card. The new card would be supported with web-based Medicaid client eligibility verification to assist providers. MAA currently prints and mails a paper MAID to each Medical Assistance Head of Household every month. Issuing MAA clients a permanent identification card eliminates the need for monthly mailings and allows for a more exact eligibility coverage period, resulting in an estimated GF-S savings after Fiscal Year 2004.

Fiscal Detail:

Operating Expenditures	FY 1	FY 2	Total
Program 080			
001-1 General Fund - Basic Account-State	451,000	(308,000)	143,000
001-C General Fund - Basic Account-DSHS Medicaid Federa	3,081,000	(38,000)	3,043,000
Total Cost	**3,532,000**	**(346,000)**	**3,186,000**

Staffing	FY 1	FY 2	Annual Avg
Program 080 FTEs	**4.0**	**3.0**	**3.5**

Package Description:

Current Procedure: MAA currently prints and mails a paper MAID to Medicaid eligible households each month. An average of 488,000 MAIDS are printed and mailed every month. The cost reduction for not printing and mailing the MAID is approximately $73,186 per month (this is an adjusted figure because informational mailing would continue so the mailing costs would not be completely eliminated). The MAID identifies which HMO (if any) the client is assigned to, any provider restrictions, program and match codes, effective dates. The provider is able to determine (and later prove) client eligibility for services by making a copy of the MAID. It is MAA policy to accept a copy of this MAID as proof of eligibility even if the client loses eligibility before the MAID expires at the end of the month. Because the Medical Assistance Identification card reflects a full month of eligibility, MAA's current policy is to provide a full month of eligibility to clients even if their eligibility expires earlier in the month. Federal rules give states the option to terminate or commence eligibility on the appropriate day of the month. Electronic eligibility verification is currently provided by third-party vendors to providers at a cost of $0.25 to $0.40 per inquiry (depending on volume). Authorized vendors receive eligibility information directly from the MMIS and there is approximately a 48-hour lag before eligible clients show in the system. The MMIS vendor is allowed to charge a fee to vendors to offset costs on a break even basis.

Proposed Procedure: MAA proposes to stop producing the monthly MAID and issue a permanent, plastic, magnetically encoded identification card. This card would be issued once to a client and serve as a permanent ID card. Replacements for lost, stolen, or damaged cards would be available. The current procedure of notifying clients of a change in benefits by letter would continue. Since the state will be removing the providers' ability to determine and prove eligibility by making a copy of the MAID, MAA will provide a web-based eligibility verification system for providers. The provider will be able to enter patient information and date of service and receive information on client eligibility, third-party liability, and other eligibility related data on line. Client eligibility will show in the new eligibility verification system within an hour, rather than the 48 hours required by the current eligibility verification system. Eligibility will be provided on a partial month basis where appropriate, which will improve eligibility accuracy. The process for improving "spend down" management will also be significantly improved as associated reviews would be distributed throughout a particular month as opposed to all reviews occuring at the end of the month as is presently the practice.

Required Changes: A web-based eligibility verification system will be designed, developed, and implemented at MAA by a contractor and then operated by MAA to provide eligibility information to providers. MAA has received cost estimates,

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which are included in the cost summary below. MMIS will require system changes to identify new clients and clients that require replacement ID cards. MAA will need to contract with a vendor to produce and mail the ID cards.

Assumptions: The Washington State Medical Association and the Washington State Medical Group Management Association support the idea or a permanent, plastic, magnetically encoded identification card. However, they do not want to absorb the costs of third-party electronic eligibility verification. Under the current MAID system, clients are limited to submittal of paper verification of eligibility only. Once a plastic card is issued, it will be necessary for the provider to use electronic verification. Eligibility verification currently costs providers $0.25 to $0.40 per inquiry depending on volume. Both the Washington State Medical Group Management Association and Washington State Medical Association support the permanent, plastic, magnetically encoded identification card as long as MAA provides eligibility verification at no cost to providers. This approach would also bring the state into compliance with related Health Insurance Portability and Accountability Act (HIPAA) requirements now being implemented according to federal mandates.

Narrative Justification and Impact Statement

How contributes to strategic plan:

Issuing clients a plastic ID card, supported by a web-based eligibility verification system, will make claims submission and eligibility verification less burdensome for many providers. This should increase provider willingness to provide services to MAA clients, thereby improving client health and safety with improved provider access. This proposal is a specific strategy in the MAA strategic plan supporting MAA Strategic Goal - Enhance capabilities to accurately determine client eligibility.

Performance Measure Detail

Program: 080

		Incremental Changes	
		FY 1	**FY 2**
Goal: 07H	**Improve systems supporting client access to quality health services.**		
	No measures submitted for package		
Goal: 16H	**Enhance Capabilities to Accurately Determine Client Eligibility**		
Output Measures			
01H	Implement "swipe card" system.	50%	100%

Reason for change:

The Governor's Digital Government vision and mission is "Government delivering public services when and where they are needed." Issuing MAA clients a magnetically encoded plastic ID card supports this vision.

The long-term vision of this project is to have our clients walk into a provider's office and present a plastic ID card. The receptionist either swipes the card through a reader or keys the client EBT card number. The software then checks with the MAA web site for client eligibility and populates all client and provider information on the claim form within the screen. Once a doctor's visit is finished, the clerk fills in the information on the detail lines (diagnosis, procedure codes, quantity, etc.) and presses the "complete" button. The claim is then sent electronically to MAA, processed in that evening's payment cycle and payment is electronically transferred to the provider the next business day. The client gets prompt service with no confusion about eligibility, MAA processes the claim with little or no human intervention (minimal cost), and the provider receives prompt adjudication of the claim.

Most providers use some sort of practice management software. This enables the provider to schedule appointments, keep track of clients and their care, bill payers and patients, track payments, and monitor other transactions. MAA has talked to the major suppliers of this software and believe integration with current provider systems can occur.

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Eliminating the monthly paper ID card will make access less conspicuous for our clients and similar to access mechanisms used by other populations seeking medical care. The plastic card and the services it enables will enhance customer service, as providers will have ready access to program coverage eligibility, reducing opportunities for error, which results in clients either being billed or providers absorbing uncovered costs.

Significant cost savings will be realized through partial month eligibility accuracy as well as improvements in spend-down management.

Impact on clients and services:

The stakeholders affected by this proposal are MAA's clients and our providers. Clients currently receive a new paper MAID every month. Under this proposal, clients would receive a permanent plastic ID card in the mail. Eliminating the monthly paper ID card will make access less conspicuous for our clients and similar to access mechanisms used by other populations seeking medical care. MAA providers see this as a positive step enabling additional E-Government initiatives. The Washington State Medical Association supports the idea, provided the web based eligibility verification is simultaneously provided. The association is very much opposed to the idea if MAA does not provide eligibility verification, citing additional per claim processing costs for the providers ($0.25 to $0.40 per commercial eligibility verification).   The web-based eligibility verification would eliminate the 48 hours lag in the current MAA eligibility verification system. Clients would show as eligible within an hour of a change in ACES.

Impact on other state programs:

Some changes may be necessary to ACES to support the web-based eligibility verification system. These changes will receive Federal Financial Participation (FFP) at 90 percent.

Relationship to capital budget:

None

Required changes to existing RCW, WAC, contract, or plan:

None

Alternatives explored by agency:

ID CARD OPTIONS

OPTION 1 - SMART CARD: A smart card looks very much like a magnetically encoded plastic ID car but has built in memory that can be updated with client demographics and eligibility information that can be accessed by provider sixth specialized equipment for reading smart cards. It was decided that this technology would not suit our client ID needs as Smart Cards. Cost is a least four times as expensive as magnetically encoded plastic ID Cards to produce and distribute to clients. The technology is not mature and has over few standards. And the Smart Card is not as durable s magnetically encoded plastic ID cards.

OPTION 2 - MAGNETICALLY ENCODED PLASTIC ID CARD: This option assumes an initial mailing of approximately 500,000 cards to heads of household, and monthly new and replacement cards of 20,000. The replacement card figure is based on experience in other states, which showed less than 1 percent loss rate. Two options for procurement of these cards were examined:

a.) Issue RFP/Bid Contract - Several vendors have expressed interest in providing this service for MAA. The cost would be approximately $1.25 per card to produce, emboss, encode and mail each card. Our current MMIS contractor would have to

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develop a procedure to create a file to be forwarded d to the vendor indicating what cards to produce and mail.

b.) Amend contract with current MMIS contractor - Our current MMIS contractor provides this service in other states. The contractor has estimated a cost of approximately $1.25 per card issued and a development cost of $1,100,000.

OPTION 3 MODIFY ELECTRONIC BENEFITS TRANSFER (EBT) CARD: The EBT card is a magnetically encoded plastic ID card that is issued to all DSHS clients that are eligible for food stamps and/or a cash grant. The limiting factor on using this as a Medicaid ID card is that there is no user specific information on this card. Because the card has coding that is tied to the client ID number in the vendor's computer system, changes to the EBT Card vendors computer system, the ACES system, and the MMIS would be needed. The EBT card vendor would also change a per case per month fee on all cards used as a Medicaid ID card, which would make this option the most costly.

ID CARD - CONCLUSION/RECOMMENDATION: Option 2a. Is recommended use of our current MMIS vendor to issue permanent, plastic, magnetically encoded identification cards is the least costly option. This option also eliminates any data security or data integrity issues.

WEB-BASED ELIGIBILITY VERIFICATION:

OPTION 1 - AMEND CURRENT MMIS CONTRACT TO WEB-BASED SYSTEM: This option offers the least amount of flexibility and is the most expensive as any system changes would require a contract amendment or a Computer Service Request (CSR), while operations costs are billed on a per transaction basis with a per transaction charge of $0.15. Annual operational costs would be approximately $315,000 GF-S ($1,260,000 total). Total value of the contract amendment would exceed DSHS approval authority and would require approval by the Department of Information Services (DIS) and the state Information Services Board (ISB).

OPTION 2 - THIRD-PARTY VENDOR CONTRACT TO DESIGN, DEVELOP, IMPLEMENT (DDI), AND OPERATE A WEB-BASED SYSTEM: MAA would conduct an RFP for DDI, operation, and maintenance of a web-based eligibility verification system, using ACES data to obtain eligibility information. Potential vendors seem willing to operate the system on a fixed cost basis resulting in lower annual maintenance and operation costs. DDI costs are less than adding this functionality to the current MMIS, however the system would lack flexibility, would not facilitate future E-Government growth, and is least favored by the federal Centers for Medicare/Medicaid Services (CMS).

OPTION 3 - THIRD-PARTY VENDOR DDI CONTRACT FOR A WEB-BASED SYSTEM OPERATED BY MAA: MAA would conduct an RFP for DDI of a turn-key, web-based eligibility verification system operated at MAA using ACES data to obtain eligibility information. MAA would participate in the DDI of the system and the vendor would operate the system for six months at MAA, while transitioning the maintenance and operation to MAA personnel. MAA does not currently have the equipment or personnel resources to implement this option. This system would require an increase of three FTEs to maintain and operate. Implementation costs are higher because of the initial equipment investment (75 percent FFP). DDI costs are similar to the vendor operated option. Once implemented, the annual operations costs of an in-house system are 60-80 percent less that the other options ($60,000 GF-S compared to $315,000 GF-S) .

WEB-BASED ELIGIBILITY VERIFICATION SYSTEM - CONCLUSION/RECOMMENDATION: Option 3 is recommended - The vendor developed and implemented, MAA operated and maintained system is by far the least costly system to operate. The increased implementation costs for equipment would be offset in the first year of operation. This option supports the DSHS strategy of developing in house technical resources to implement E-Government initiatives and will provide the necessary infrastructure, both in equipment and personnel, for anticipated future E-Government initiatives.

Budget impacts in future biennia:

The annual estimated net savings of $648,000 ($459,000 GF-S) will continue into future biennia and should remain constant.

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Distinction between one-time and ongoing costs:

One-time costs include the expense of required system changes to ACES and MMIS, the initial issue of ID cards, one FTE for project management, and three FTEs for Design Development and Implementation. ($450,000 GF-S, $3,525,000 total funds)

Ongoing annual costs are for the issuance of new and replacement ID cards and personnel to maintain and operate the system ($508,000 total, $135,000 GF-S).

Effects of non-funding:

MAA would continue to issue a MAID to every eligible household each month and forgo the cost savings ($304,119 GF-S annually). Clients would continue to have the paper MAID card. There would continue to be a 48-hour lag in the eligibility verification system. Clients would still be faced with the stigma attached to the MAID rather than using a medical card similar to other patrons.

See attachment - MAA PL-HI Medicaid ID Cards.xls

Expenditure Calculations and Assumptions:

Object Detail		**FY 1**	**FY 2**	**Total**
Program 080 Objects				
A	Salaries And Wages	194,000	143,000	337,000
B	Employee Benefits	46,000	34,000	80,000
E	Goods And Services	3,285,000	(528,000)	2,757,000
T	Intra-Agency Reimbursements	7,000	5,000	12,000
	Total Objects	**3,532,000**	**(346,000)**	**3,186,000**

DSHS Source Code Detail		**FY 1**	**FY 2**	**Total**
Program 080				
Fund 001-1, General Fund - Basic Account-State				
Sources	Title			
0011	General Fund State	451,000	(308,000)	143,000
	Total for Fund 001-1	**451,000**	**(308,000)**	**143,000**
Fund 001-C, General Fund - Basic Account-DSHS Medicaid Federa				
Sources	Title			
19UD	Title XIX Admin (90%)	3,081,000	0	3,081,000
19UG	Title XIX Admin (75%)	0	405,000	405,000
19UL	Title XIX Admin (50%)	0	(443,000)	(443,000)
	Total for Fund 001-C	**3,081,000**	**(38,000)**	**3,043,000**
	Total Program 080	**3,532,000**	**(346,000)**	**3,186,000**